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No. 85-411

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

VIVITAR CORPORATION,
Petitioner,

v.

UNITED STATES, *et al.*,
Respondents,

and

47th STREET PHOTO, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF FOR 47TH STREET PHOTO, INC., IN OPPOSITION

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QUESTION PRESENTED

Whether Section 526 of the Tariff Act of 1930, 19 U.S.C. § 1526, requires the Customs Service to exclude from the United States trademarked goods to which an authentic trademark has been affixed by the subsidiary or parent of the American trademark owner.

PARTIES TO THE PROCEEDING

The petitioner, Vivitar Corporation, is engaged in the foreign and domestic sale of photographic equipment manufactured principally in Japan. The federal respondents, identified in the Petition for a Writ of Certiorari (hereinafter "Pet."), p. ii, are responsible for the enforcement of the Customs Service regulations at issue in this case. Intervenor-Respondent 47th Street Photo, Inc., is a discount retailer of Vivitar products purchased in the United States and abroad. It has no parent companies or subsidiaries.

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OPINION BELOW

The opinion of the court of appeals (Pet. App. 1a-100a) [1] is reported at 761 F.2d 1552. The opinion of the Court of International Trade (Pet. App. 103a-172a) is reported at 593 F. Supp. 420. Its opinion on jurisdiction is reported at 585 F. Supp. 1419.

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[1] "Pet. App." refers to the Appendix to the Petition for a Writ of Certiorari.

JURISDICTION

The judgment of the court of appeals was entered on May 6, 1985. Vivitar's Petition for Rehearing and Clarification was denied on June 12, 1985 (Pet. App. 101a-102a). The Petition for a Writ of Certiorari was filed on September 10, 1985. The jurisdiction of this Court is invoked under 28 U.S.C. 1581.

STATUTE AND REGULATION INVOLVED

Petitioner has reprinted 19 U.S.C. § 1526 and 19 C.F.R. § 133.21 in the Appendix to its Petition (Pet. App. 173a-183a).

STATEMENT

I. The Facts: Vivitar Attempts to Use Customs Regulations to Enforce Its Marketing Strategy

This case concerns an attempt by a multinational corporation, Vivitar, to enlist the United States Customs Service in the enforcement of Vivitar's scheme of international dual-level pricing, whereby it sells its foreign-manufactured goods in the United States at a significantly higher price than it charges for the identical goods abroad. 47th Street Photo, Inc., is one of many discount retailers that obtain genuine Vivitar products that have been purchased in foreign markets and make them available to American consumers at significant savings.[2] 761 F.2d at 1556 (Pet. App. 14a-15a); 593 F. Supp. at 422-23 (Pet. App. 109a).

[2] In 1984, for example, Vivitar charged $80 wholesale, in the United States, for a slide printer which could be purchased from a Vivitar distributor abroad for $60. As a consequence, this slide printer could be purchased at 47th Street Photo for $79 while retailers who purchased from Vivitar in the U.S. charged between $120 and $195, the list price. Second Affidavit of Irving Goldstein, ¶ 8, Appended to 47th Street Photo's Memorandum in Opposition to Motion for Mandatory Order and in Support of Motion to Dismiss.

Parallel imports are, by definition, genuine goods initially introduced into commerce by or with the consent of the trademark owner, here Vivitar. 761 F.2d at 1556 (Pet. App. 14a); 593 F. Supp. at 422-23 (Pet. App. 108a-109a).[3] Multinational trademark owners attempt to structure their international marketing so as to maximize U.S. sales at high prices while selling abroad at the lower prices demanded by foreign markets. 593 F. Supp. at 423 (Pet. App. 109a).[4] It has been the uniform policy of the government for at least a half a century, however, not to assist multinational corporations in their efforts to maintain dual-pricing systems.

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[3] The record in this case—specifically the letters stating the basis for the Customs Service denial of Vivitar's demand for exclusion—clearly reflects that Vivitar manufactures goods abroad and authorizes the application of its trademark and the sale of its trademarked goods in foreign markets. Defendants' Collective Exhibit 2 in Support of Motion for Summary Judgment. *See also* 47th Street Photo's Statement of Material Facts that Are in Dispute (hereinafter, "Statement of Material Facts"), pp. 1-7. Contrary to Vivitar's assertion (Pet. 6-7), parallel imports are frequently purchased directly from the subsidiary or licensee of the trademark owner. 593 F. Supp. at 424-25 (Pet. App. 117a-118a); Statement of Material Facts, p. 6.

[4] As the Court of International Trade observed (593 F. Supp. at 423, Pet. App. 109a):

> When the United States price is substantially higher than the foreign price, importers can profitably buy large quantities of the trademarked goods overseas, import them to the United States, and sell them to distributors and retailers at a discount. American companies such as intervenor 47th Street Photo, Inc. and *amicus curiae* K mart Corporation . . . purchase large quantities of these imports and offer them for sale at prices often far below those of retailers selling goods the American trademark owner has authorized for importation.

Contrary to Vivitar's assertion (Pet. 7, n1), the enormous price differential is not attributable to its service, warranty or other efforts in the U.S.. Rather, such costs comprise a miniscule portion of the differential. Statement of Material Facts, pp. 16-18. Moreover, American retailers, like 47th Street Photo, Inc. and K mart, as well as many parallel importers, expend considerable sums on warranty, service and advertising. *Id.* Vivitar's unsupported allegations that parallel importers "free ride" on Vivitar's expenditures are an attempt to mask its real complaint, that its "carefully planned marketing strategy"—designed to exact the highest possible price in the domestic market—has been disrupted. Pet. 7, n.1. As the Court of International Trade noted, 47th Street Photo's evidence contradicted Vivitar's "free ride" allegations. 593 F. Supp. at 435 (Pet. App. 166a-169a); Statement of Material Facts, pp. 19-21.

II. The Proceedings Below: Vivitar Seeks to Alter Decades of Administrative Practice

Vivitar filed a complaint seeking mandamus on January 19, 1984. The requested relief was that the Customs Service be required to prohibit the entry into the United States of goods bearing the Vivitar trademark, unless Vivitar consented to the importation. Complaint, p. 6.[5]

On cross-motions for summary judgment, the Court of International Trade held that Vivitar's argument that parallel imports obtain a "free ride" on Vivitar's goodwill, if relevant at all, could be raised only in a Lanham Act or other non-statutory unfair competition action, not in the action before the court. 593 F. Supp. at 435-36 (Pet. App. 168a-169a).[6]

On the question whether the Customs Service could deny an entity that controlled both foreign and domestic trademarks automatic exclusion of its foreign-manufactured goods, the court concluded that the Customs Service's existing regulation was a valid implementation of congressional intent "to protect [only] an American trademark owner . . . who had purchased from an independent foreign company," not an integrated multinational corporation. 593 F. Supp. at 434 (Pet. App. 160a).

The Court of Appeals for the Federal Circuit found the congressional debate over Section 526 "unfocused and misinformed." 761 F.2d at 1563 (Pet. App. 50a). But it held that

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[5] Vivitar initially sought this relief under both Section 526 of the Tariff Act and Section 42 of the Lanham Act. Vivitar made no attempt, however, to prove a Lanham Act violation. It conceded that the goods it was seeking to exclude were genuine trademarked goods, and it did not try to establish consumer confusion as to the source of the goods or a separate national territorial identity for the products it sells in the U.S. When faced with the prospect of losing jurisdiction in the Court of International Trade, Vivitar readily agreed to drop its Lanham Act allegations. 585 F. Supp. at 1423. Subsequently, Vivitar also abandoned its demand for mandamus in favor of declaratory relief. 593 F. Supp. at 422 n.1 (Pet. App. 106a, n.1).

[6] The Court of Appeals for the Federal Circuit likewise noted that Vivitar had not raised any substantive trademark or unfair competition claim as to any private party. Had it done so, the case would have been beyond the jurisdiction of the Court of International Trade. 761 F.2d at 1560 (Pet. App. 31a-37a).

the Customs Service regulations were a reasonable means of effectuating the statute, noting (761 F.2d at 1570, Pet. App. 83a-84a):

> Congress could not have foreseen all possibilities in international trade relationships at the time of enacting the statute.

While the court rejected the argument that the Customs Service regulations are *mandated* by Section 526, it also rejected the argument that the statute grants a right of exclusion to *all* trademark owners without regard to agency principles, estoppel, piercing the corporate veil, etc. *Id.* The Court concluded (*id*):

> Where protection under the statute is unclear or depends upon resolution of complex factual situations, Customs may decline to impose *sua sponte* the extreme sanction of exclusion and leave such cases for initial determination by the district courts under the private remedies provided to the trademark owner in § 1526.

ARGUMENT

While we disagree with the court of appeals that the Customs Service regulations are not mandated by the statute, the court's conclusion that the regulations are valid is correct. Petitioner contends that this Court should reverse because this position was not advocated below by the Customs Service.[7] Pet. 20-21. The Customs Service has consistently asserted that its regulations are required by the statute. Irrespective of the rationale, however, the result that the regulations are sustained—even if only as a legitimate exercise of agency dis-

[7] The question decided by the court below—whether the regulation comports with the statute—is strictly one of law, traditionally committed to the courts. For this reason, the rule of *Securities and Exchange Comm. v. Chenery Corp.* [*Chenery I*], 318 U.S. 90 (1943), relied upon by the petitioner, is inapplicable, as it is limited to determinations "which an administrative agency alone is authorized to make . . . ." *Securities and Exchange Comm. v. Chenery Corp.* [*Chenery II*], 332 U.S. 194, 196-97 (1947). *Federal Power Commission v. Idaho Power Co.*, 344 U.S. 17, 20 (1952), also relied upon by the petitioner, is similarly inapposite. There, the court rewrote a regulation for an agency. Here, the court upheld a regulation as drafted by the agency, an action well within the court's authority.

cretion—is the same. Consequently, the petition fails to present any "special and important" reasons for granting the writ. *See* Sup. Ct. R. 17.1.

1. The petitioner's argument for reversal rests on the false premise that the court of appeals found the statutory language to be "clear and unambiguous." Pet. 21. To the contrary, the court of appeals specifically found that "protection under the statute is unclear" and "rejected the view that the statute may not have *any* implied limitations . . . ." 761 F.2d at 1570 (Pet. App. 85a-86a) (emphasis in original).

This conclusion is consistent with that of all three of the other courts asked to assess whether the Customs Service regulations comport with the statute. They have found that the regulations effectuate the limited scope of Section 526, which was not to grant a trademark monopoly in the United States but to protect arms-length purchasers of foreign trademarks. In *Coalition to Preserve the Integrity of American Trademarks ("COPIAT") v. United States,* 598 F. Supp. 844 (D.D.C. 1984), *appeal pending,* United States Court of Appeals for the District of Columbia Circuit, No. 84-5890, the court held the regulations to be "sufficiently reasonable" in that they "reflect the Customs Service's long-standing and consistent interpretation of section 526; which interpretation is fully consistent with the intent of Congress in enacting the legislation." 598 F. Supp. at 851. In *Olympus Corp. v. United States,* CV-84-0920 (E.D.N.Y. Aug. 22, 1985), *appeal pending,* United States Court of Appeals for the Second Circuit, No. 85-6282, the court adopted the legislative and regulatory history set forth by the district court in *COPIAT* and by the Court of International Trade [8] in the instant case (*id.* at 30):

> The broad interpretation that plaintiff urges upon the court is contrary to the reading that is supported by the legislative history, long-standing administrative practice by the Customs Service, relevant judicial decisions, and legislative inaction and acquiescence of all of the above during the decades following enactment of § 526.

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[8] The court in *Olympus* (at p. 31) rejected as *dicta* the view of the legislative and regulatory history expressed by the Court of Appeals for the Federal Circuit, noting Judge Davis' concurrence which criticized the majority's "wholly inappropriate . . . *dicta.*" 761 F.2d at 1572 (Pet. App. 99a).

Accord, Parfums Stern, Inc. v. United States Customs Service, 575 F. Supp. 416 (S.D. Fla. 1983). *See also El Greco Leather Products Co. v. Shoe World, Inc.,* 599 F. Supp. 1380 (E.D.N.Y. 1984); *Bell & Howell: Mamiya Co. v. Masel Supply Co.,* 548 F. Supp. 1063 (E.D.N.Y. 1982), *vacated and remanded,* 719 F.2d 42 (2d Cir. 1983) (injunction inappropriate where parallel imports are genuine). *Cf., Osawa & Co. v. B&H Photo,* 589 F. Supp. 1163 (S.D.N.Y. 1984) (*dicta*).

2. The legislative history of Section 526 clearly supports the conclusion that its scope is limited. It is undisputed that Section 526 was a response to the decision of the Court of Appeals for the Second Circuit in *A. Bourjois & Co. v. Katzel,* 275 F. 539 (2d Cir. 1921), which was subsequently overruled by this Court (after Section 526 was enacted), *Bourjois & Co. v. Katzel,* 260 U.S. 689 (1923). Emphasizing the equities, this Court held in *Bourjois* that an *independent* American owner of a registered trademark could enjoin others from selling under that mark in the United States. 260 U.S. at 691. In *Bourjois v. Katzel,* however, the U.S. trademark owner, unlike Vivitar, had invested substantial amounts in purchasing a foreign trademark and in developing a separate American identity for the product distinct from that of the foreign owner. This Court protected that investment against a "contrivance" to "evad[e] the effect of the transfer." *Id.*

Section 526—enacted during the pendency of the *Bourjois* appeal to this Court—addressed precisely the same inequity. The brief Congressional debate emphasized the rights of independent American purchasers of trademark rights. 62 *Cong. Rec.* 11603-04. Upon enactment of the statute, the Customs Service immediately recognized its intended scope and for decades has denied the right automatically to exclude trademarked goods if the U.S. trademark and foreign trademark are owned or controlled by the same entity. *See, e.g.,* Article 518(b), *Treasury Dec.* 48537 (Sept. 22, 1936).

3. As is apparent from even this brief discussion of the merits, and as the court below recognized, Section 526 does not have a "plain meaning" such as petitioner asserts. The statute's legislative and regulatory history, considered in light of "the evil which [the statute] is designed to remedy, . . . contemporaneous events, [and] the situation . . . as it was pressed upon the attention of the legislative body" (*Church of the Holy Trinity v. United States,* 143 U.S. 457, 459, 463 (1892)) supports the Customs Service policy. *Accord, Washington Metropolitan Area Transit Authority v. Johnson,* 104 S.Ct. 2827 (1984); *Secretary of the Interior v. California,* 104 S.Ct. 656 (1984).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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